

Company Update Report

Growthpoint Properties Limited

Real Estate

Analyst thesis

Our recommendation is based on:

As at: 14 October 2025

- Stronger South African cash generation: Like-for-like net property income (NPI) improved on fewer rent cuts, lower vacancies, and better cost recoveries - supporting distributable income per share growth.
- Cleaner offshore footprint: Disposals and exits reduced overseas earnings volatility while keeping useful diversification.
- Improved balance sheet, funding tailwind: Leverage and interest cover are comfortable, borrowing costs are trending lower, and further rate cuts would add flexibility.
- Resilient portfolio mix: Logistics and industrial remains tight with steady renewals, while the V&A Waterfront is almost fully let with strong tenant demand; capex is focused on modern Western Cape nodes.
- Energy self-help: A large solar base and the upcoming Etana PPA will wheel power, easing tariff pressure and backup-power costs to support margins.

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Key highlights

In this report, we look at GRT's FY25 results and assess its implications on our current view.

Financial results at a glance:

- Distributable income per share rose 3.1% on stronger SA net property income and a recovering V&A. Dividend per share also increased, helped by the payout ratio, which improved from 82.5% in FY24 to 85% in FY25.
- SA REIT FFO per share increased from 131.5c to 132.1c in FY25, with stronger SA cash flows offsetting higher interest costs and softer offshore dividends.
- NAV per share decreased by 1.6% as Australian office devaluations and disposals offset SA income growth and development gains.
- Total property assets fell 6.3%, shaped by disposals, ongoing asset recycling, and the sale of Capital & Regional.
- LTV improved from 42.3% to 40.1%, and ICR increased from 2.4x to 2.5x in FY25; in SA, LTV decreased from 35.4% to 34.5% with ICR 2.8x to 2.9x. ZAR funding costs eased from 9.6% to 8.9%.
- Offshore exposure has reduced and now accounts for 28.7% of distributable income per share and 38.0% of assets. Offshore earnings were tempered by higher dividend withholding tax at GOZ and a lower (part-scrip) payout at GWI.
- SA vacancies improved from 8.3% to 8.1%. Logistics remained tight, while retail stabilised, and offices outside prime nodes remained the main drag.
- The cost-to-income ratio increased to 44.4%. Admin cost-to-income was 6.5%. The rise mainly reflects utilities and resilience spend—that is, backup power, security, water, and infrastructure hardening—while solar and future wheeling are expected to ease pressure over time.

Management's outlook:

Looking ahead, management guides to FY26 distributable income per share growth of 3%–5% and dividend per share growth of 6%–8% with the payout ratio rising to ~87.5. Management views the environment as a growth cycle, supported by disciplined capital allocation, sustainability initiatives, and tight balance-sheet and liquidity management—positioning GRT for sustainable income and steady growth despite global valuation headwinds.

Sector outlook

The outlook remains positive. We still see room for distributable income per share and dividend growth as the repo rate trends lower—even with some counters near 12-month highs. Interest rate cuts should further reduce pressure on financing costs, reinforcing upgraded guidance from several SA names. Leverage has eased across the sector, leaving balance sheets healthier. Our view is unchanged, but nuance has shifted: bond yields are now below their 10-year average. While cuts could compress yields a bit further, upside is more limited and the risk of mean reversion is higher, so we've trimmed bull-case weights and leaned toward the base case.

| | |
|-------------------|--------|
| Ticker | GRT-ZA |
| Share price | R15.77 |
| Intrinsic value | R16.5 |
| Upside/(Downside) | 4% |
| Recommendation | Hold |

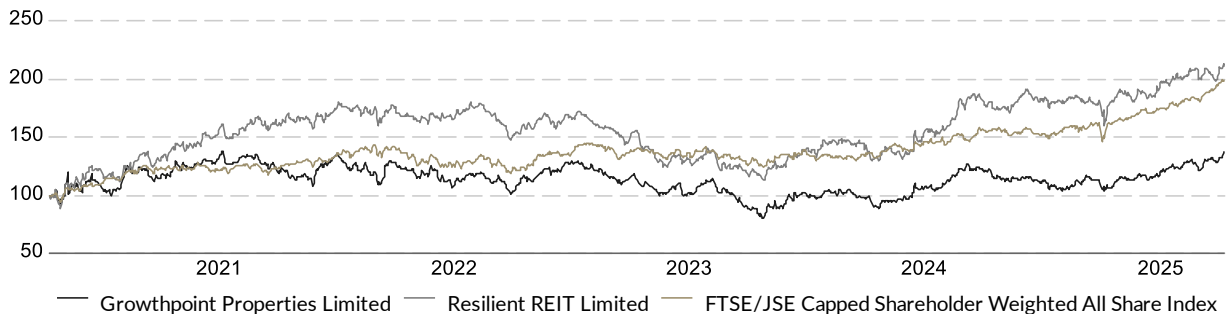


Table 1: Qualitative summary

| Factor | Rating | Description |
|---------------------------|--------|---|
| Growth | ★★★★☆ | Expected three-year revenue CAGR is -12.8% and expected three-year EPS CAGR is 3.6% Management guides distributable income per share growth of 3%–5% and DPS growth of 6%–8% for FY26 as SA fundamentals improve and V&A outperforms; logistics remains the growth engine. Property companies having high payout ratios tend to result in lower long-term growth. |
| Valuation | ★★★★☆ | The share price is trading at a 4% discount to the IV. Current LTM P:B of 0.7x is trading at a 10% premium to the five-year average P:E of 0.6x |
| Dividend | ★★★★☆ | LTM dividend yield 7.86% NTM dividend yield 8.5% |
| Issuance | ★★★★☆ | Shares issued have increased by 4% in the past five years |
| Catalyst | | South African rate cuts are translating into lower ZAR funding costs. Continued improvement in SA reversions/vacancies V&A development pipeline delivery and tourism tailwinds. |
| Quality of earnings | ★★★★☆ | Five-year average ROE 4.9% Five-year average operating margin 71.1% Three of the past 10 years had both positive earnings with growth Earnings are affected by property revaluation gains and losses—which rely on valuation assumptions—and this adds volatility to reported results. |
| Moat | ★★★★☆ | Growthpoint's edge is limited. Its large, diversified South African portfolio and stake in the high-barrier V&A Waterfront give it some scale and funding advantages, but these are not hard to replicate. Competitors can build similar national footprints, and the benefits rely more on execution and market cycles than on a durable, hard-to-copy moat. |
| Management and governance | ★★★★☆ | The management team has not raised any major concerns. Under GRT's leadership, management has lifted asset efficiency over the past two years—evident in improved ROA/ROE—while tightening the balance sheet: LTV improved to 40.1% (from 42.3%) with ICR at 2.5x; in SA, LTV is 34.5% and ICR 2.9x. ZAR funding costs also eased to 8.9% from 9.6%. |
| Balance sheet | ★★★★☆ | Net debt/EBITDA ratio 6.3x, interest coverage ratio 2.5x Debt/assets ratio 41.5%. |
| Risks | | GRT has material exposure to office space (40%), which is a risk due to a structural change in demand for office space driven by changes involving work-from-home policies. Demand indicated by rental reversions has remained negative for SA Office, with SA Industrial providing a defensive element and SA Retail improving. Regulation: GRT is REIT compliant, with no immediate concerns related to regulation and its impact on the business model. |

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



Source: FactSet

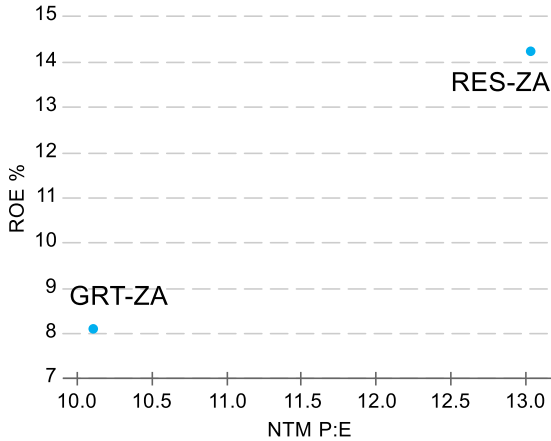


Table 2: Price performance versus benchmark and peers

| Period | YTD | MTD | 3M | 6M | 1Y | 2Y | 3Y | 5Y | 10Y |
|-------------|-------|------|-------|-------|-------|-------|-------|--------|--------|
| GRT-ZA | 19.7% | 3.5% | 10.4% | 23.9% | 9.7% | 51.3% | 26.5% | 27.4% | -40.6% |
| RES-ZA | 13.7% | 4.3% | 5.7% | 20.4% | 17.8% | 72.8% | 35.7% | 101.4% | -32.2% |
| Capped SWIX | 11.3% | 2.4% | 7.3% | 19.2% | 10.0% | 54.2% | 54.9% | 94.3% | -32.2% |

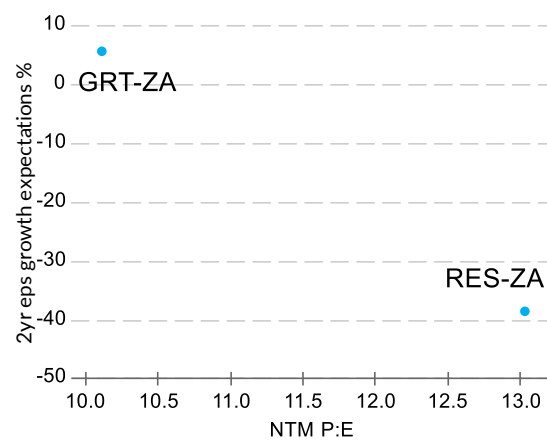
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs consensus EPS 2Y CAGR forecast



Source: FactSet

Valuation

We maintain a Hold with a weighted intrinsic value of R16.50. Looking ahead, we expect distributable income to grow on improving SA leasing (better reversions, lower vacancies), a steady V&A contribution, ongoing logistics outperformance, execution of R3.5 billion in non-core disposals/recycling, and potential rate cuts that should lower ZAR funding costs.

- Bear case (20%) – SA leasing momentum stalls; disposals slip; GOZ office values weaken, and Dividend WithholdingTax remains elevated; Globalworth Real Estate Investments Limited cash payout light; rates stay higher-for-longer.
- Base case (50%) – SA fundamentals hold (stable reversions/vacancy), R3.5 billion SA disposals executed near book, modest rate cuts lower ZAR funding costs, GOZ stabilises; V&A grows.
- Bull case (30%) – Faster SA recovery and stronger reversions, above-plan V&A, clean execution on disposals, GOZ valuations steady with funds-management fees scaling, Globalworth Real Estate Investments Limited cash payout normalises, deeper rate cuts.

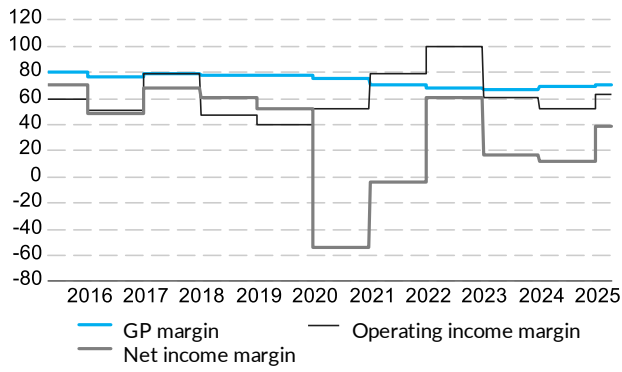
While cuts could compress yields a bit further, upside is more limited and the risk of mean reversion is higher, hence we are leaning towards a higher base case probability.

Table 3: Valuation summary

| | Bear | Base | Bull | Weighted |
|-------------------------|-------|-------|-------|----------|
| FFO (Rm) (FY28) | 5 646 | 5 862 | 6 082 | 5 885 |
| FV FFO/share (Rands) | 1.7 | 1.7 | 1.8 | 1.7 |
| Price/FFO multiple | 6.8x | 10.1x | 13.4x | 10.4x |
| PV Terminal (Rands) | 9.34 | 14.46 | 19.86 | 15.1x |
| PV FY28 DPS (Rands) | 1.33 | 1.39 | 1.44 | 1.4x |
| Intrinsic value (Rands) | 10.67 | 15.85 | 21.30 | 16.5 |
| Upside/(Downside) | -42% | -10% | 25% | 4% |
| Scenario | 20% | 50% | 30% | - |

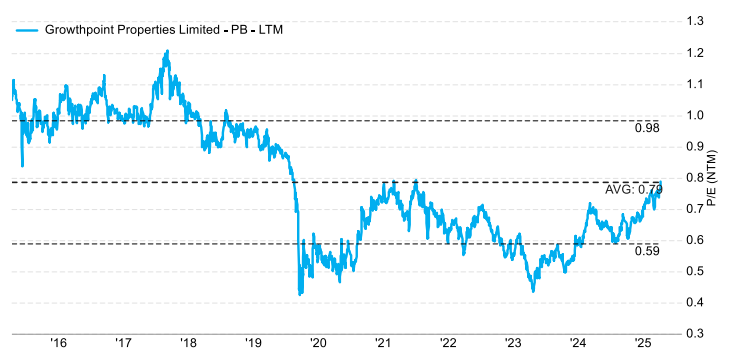


Graph 4: Profit margins (%)



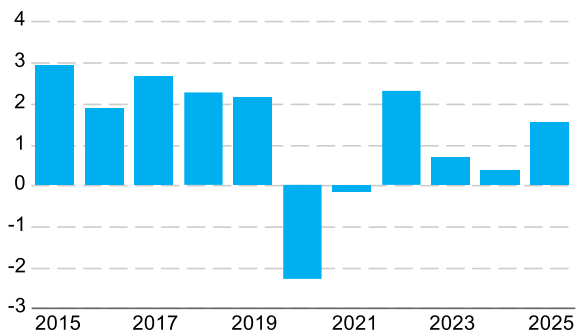
Source: FactSet

Graph 5: LTM P:B Value



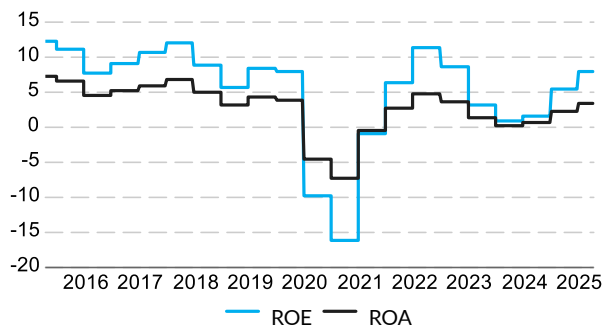
Source: FactSet

Graph 6: 10Y EPS Y/Y growth (%)



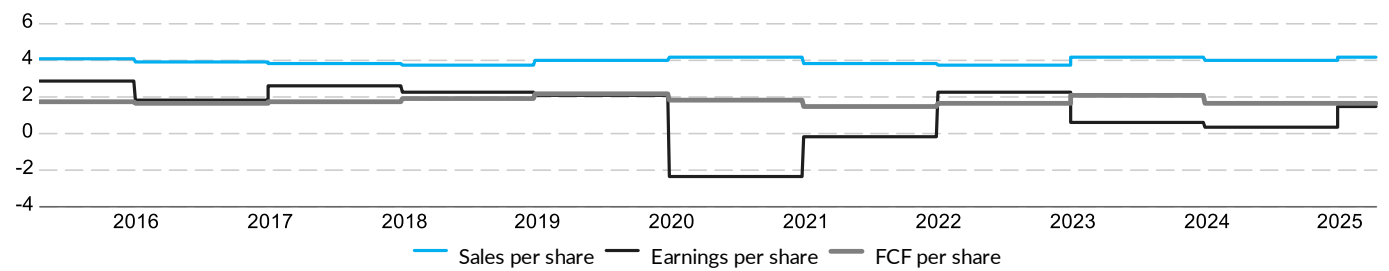
Source: FactSet

Graph 7: ROE and ROA (%)



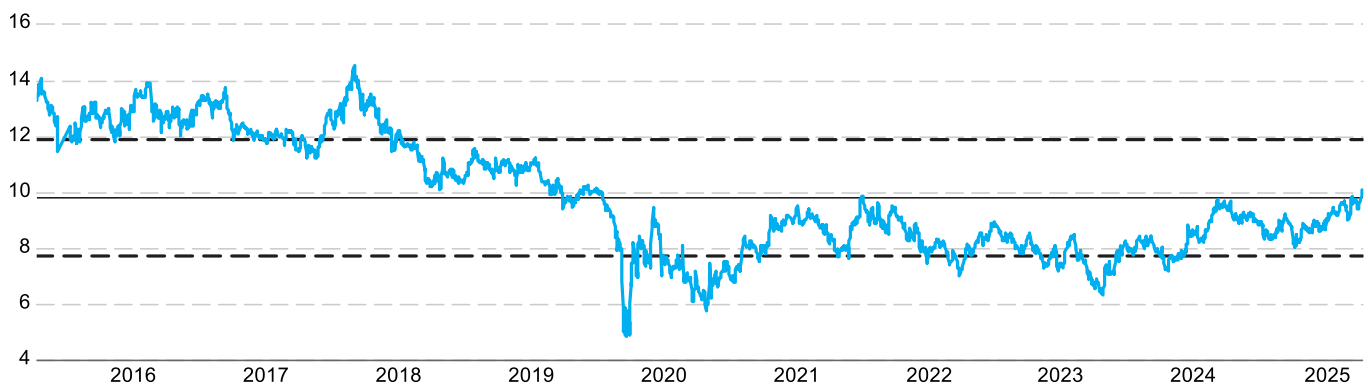
Source: FactSet

Graph 8: Sales, earnings, and FCF per share (Rand)



Source: FactSet

Graph 9: NTM P:E



Source: FactSet



Table 4: Financials and ratios

| Income statement (R Mn) | Jun 21 | Jun 22 | Jun 23 | Jun 24 | Jun 25 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 13 126 | 13 048 | 13 740 | 12 897 | 13 568 |
| Property-related expenses | 3 436 | 3 516 | 3 926 | 3 755 | 3 914 |
| Gross income | 9 690 | 9 532 | 9 814 | 9 142 | 9 654 |
| EBITDA | 9 077 | 8 700 | 8 883 | 8 218 | 8 673 |
| FFO | 4 653 | 5 298 | 5 025 | 4 454 | 4 462 |
| EPS (Rand) | -0.2 | 2.3 | 0.7 | 0.4 | 1.6 |
| Balance sheet (R Mn) | Jun 21 | Jun 22 | Jun 23 | Jun 24 | Jun 25 |
| Total assets | 154 455 | 164 729 | 171 976 | 165 737 | 152 179 |
| Total shareholders equity | 66 410 | 71 212 | 71 911 | 68 267 | 67 325 |
| Total liabilities | 73 853 | 74 583 | 80 724 | 80 669 | 69 924 |
| Ratios | Jun 21 | Jun 22 | Jun 23 | Jun 24 | Jun 25 |
| P:B value | 0.76 | 0.59 | 0.55 | 0.60 | 0.67 |
| Interest coverage | 3 | 4 | 2 | 1 | 2 |
| ROA | -0.3% | 5.0% | 1.4% | 1.0% | 3.5% |
| ROE | -0.7% | 11.5% | 3.3% | 2.3% | 8.1% |

Source: FactSet

Table 5: Standard finance and investment abbreviations

| Abbreviation | Definition |
|---------------------|---|
| CAGR | Compounded annual growth rate |
| DPS | Dividends per share |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, tax, depreciation, and amortisation |
| EPS | Earnings per share |
| FFO | Funds from Operations |
| FY | Financial year |
| GOZ | Growthpoint Properties Australia Limited |
| GRT | Growthpoint Properties Limited |
| ICR | Interest Cover Ratio |
| LTM | Last twelve months (also known as trailing) |
| LTV | Loan-to-Value |
| M | Month |
| MTD | Month to date |
| NAV | Net Asset Value |
| NTM | Next twelve months (also known as forward) |
| P:E | Price to earnings |
| P:B | Price to book value |
| ROA | Return on assets |
| ROE | Return on equity |
| V&A | V&A Waterfront |
| Y/y | Year(s) |
| YTD | Year to date |
| PV | Present value |
| FV | Future value |



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